

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Cass County Conservation District	County Cass
Audit Date 9/30/04	Opinion Date 11/4/04	Date Accountant Report Submitted to State: 12/15/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 			Date 12/15/04

Cass County Conservation District
Cass County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended September 30, 2004

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Cass County Conservation District**

We have audited the basic financial statements of the Cass County Conservation District as of and for the year ended September 30, 2004, as listed in the contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Cass County Conservation District as of September 30, 2004, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 7, the Cass County Conservation District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the additional analysis and is not a required part of the basic financial statements of the Cass County Conservation District, but is supplementary information required by U.S. generally accepted accounting principles. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Cass County Conservation District has not presented a management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

November 4, 2004

BASIC FINANCIAL STATEMENTS

Cass County Conservation District**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**

September 30, 2004

	General Fund		
	<i>Modified Accrual Basis</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
ASSETS			
Cash	\$ 68,057	\$ -	\$ 68,057
Accounts receivable	10,558	-	10,558
Inventory	6,256	-	6,256
Fixed assets (net)	-	2,745	2,745
TOTAL ASSETS	<u>\$ 84,871</u>	<u>\$ 2,745</u>	<u>\$ 87,616</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 1,314	\$ -	1,314
Accrued liabilities	1,695	-	1,695
Total liabilities	3,009	-	3,009
FUND EQUITY			
Fund balance - unreserved, undesignated	81,862	(81,862)	-
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 84,871</u>		
NET ASSETS			
Investment in capital assets		2,745	2,745
Unrestricted		81,862	81,862
TOTAL NET ASSETS		<u>\$ 84,607</u>	<u>\$ 84,607</u>

See notes to financial statements

Cass County Conservation District**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES***Year ended September 30, 2004*

	General Fund		
	<u>Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Public works	\$ 109,407	\$ 519	\$ 109,926
PROGRAM REVENUES			
Federal grants	336	-	336
State grants	77,986	-	77,986
Contributions from local units	4,000	-	4,000
Charges for services	26,481	-	26,481
Other	2,895	-	2,895
Total program revenues	111,698	-	111,698
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS	2,291	(519)	1,772
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	79,571	3,264	82,835
FUND BALANCE/NET ASSETS - END OF YEAR	\$ 81,862	\$ 2,745	\$ 84,607
Net change in fund balance			\$ 2,291
<i>Amounts reported in the statement of activity are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.			(519)
Change in net assets			\$ 1,772

See notes to financial statements

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cass County Conservation District (the District) was organized in 1947 for the purpose of "providing local guidance and involvement in the promotion of soil conservation in Cass County, Michigan." The District is a local unit of State Government, which operates under the direction of a board of directors. The Board oversees the development and implementation of soil and water conservation activity in Cass County, Michigan.

The accounting policies of the District conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the District. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the District's financial statements. Also, the District is not a component unit of any other entity.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The modified accrual financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - All receivables are considered to be fully collectible as presented.

iii) Inventory - Consist of land available for sale recorded at cost.

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

iv) *Capital assets* - Capital assets, which include property, equipment, and vehicles, are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5 - 10 years
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NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

A reconciliation of cash and cash equivalents to the District's deposits and cash on hand, as shown in the balance sheet, is as follows:

Financial statements:

Cash	<u>\$68,057</u>
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Notes to financial statements:

Deposits with financial institutions	\$67,957
Cash on hand	<u>100</u>

\$68,057

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the District. Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The District's deposits are in accordance with statutory authority. At September 30, 2004, the District has deposits with a carrying amount of \$67,957 and a bank balance of \$77,077. Of the bank balance, \$75,386 is covered by federal depository insurance and \$1,691 is uninsured and uncollateralized.

Cass County Conservation District
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the District consist of earned grant revenue associated with program costs incurred by District through September 30, 2004.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the District for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Equipment	\$9,011	\$ 711	\$ -	\$9,722
Less accumulated depreciation:	<u>5,747</u>	<u>1,230</u>	<u>-</u>	<u>6,977</u>
Total capital assets - net of depreciation	<u>\$3,264</u>	<u>\$ (519)</u>	<u>\$ -</u>	<u>\$2,745</u>

NOTE 6 - RISK MANAGEMENT:

The District is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective October 1, 2003, the District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The District has applied the provisions of this statement in the accompanying statements. This change in accounting and reporting has resulted in a restatement of net assets, as follows:

Net assets as previously reported	\$79,571
Recognition of capital assets (net)	<u>3,264</u>
Net assets as restated	<u>\$82,835</u>

REQUIRED SUPPLEMENTARY INFORMATION

Cass County Conservation District
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended September 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ 270	\$ 270	\$ 336	\$ 66
State grants	80,901	80,901	77,986	(2,915)
Contributions from local units	4,000	4,000	4,000	-
Charges for services	29,738	29,738	26,481	(3,257)
Other	<u>2,214</u>	<u>2,214</u>	<u>2,895</u>	<u>681</u>
Total revenues	<u>117,123</u>	<u>117,123</u>	<u>111,698</u>	<u>(5,425)</u>
EXPENDITURES				
Public works	<u>109,872</u>	<u>109,872</u>	<u>109,407</u>	<u>465</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,251	7,251	2,291	(4,960)
FUND BALANCE - BEGINNING OF YEAR	<u>79,571</u>	<u>79,571</u>	<u>79,571</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 86,822</u>	<u>\$ 86,822</u>	<u>\$ 81,862</u>	<u>\$ (4,960)</u>

OTHER SUPPLEMENTARY INFORMATION

Cass County Conservation District**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM**

Year ended September 30, 2004

	<u>District Operating</u>	<u>Ground Water Stewardship</u>
REVENUES		
Federal grants	\$ -	\$ -
State grants	20,000	25,500
Contributions from local units	4,000	-
Charges for services:		
Reforestation	-	-
Plat books	633	-
Other	445	-
Total charges for services	1,078	-
Other	2,895	-
Total revenues	27,973	25,500
EXPENDITURES		
Public works:		
Salary and wages	25,468	19,107
Payroll taxes	1,949	1,574
Fringe benefits	2,294	954
Contractual services	3,060	-
Cost of trees and merchandise sold	984	-
Insurance	1,811	-
Office supplies and equipment	149	1,869
Advertising and marketing	776	-
Training and conferences	192	508
Transportation and mileage	476	1,033
Dues and fees	1,323	-
Repairs and maintenance	117	-
Meetings	1,011	-
Printing and postage	164	-
Miscellaneous	73	-
Other program costs	29	-
Total public works	39,876	25,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (11,903)</u>	<u>\$ 455</u>

<i>Ground Water Cost Sharing</i>	<i>Reforestation</i>	<i>MEAEP</i>	<i>MEANDRS</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 336	\$ 336
6,571	-	25,915	-	77,986
-	-	-	-	4,000
-	25,403	-	-	25,403
-	-	-	-	633
-	-	-	-	445
-	25,403	-	-	26,481
-	-	-	-	2,895
6,571	25,403	25,915	336	111,698
-	-	20,053	336	64,964
-	-	1,430	-	4,953
-	-	-	-	3,248
6,573	-	-	-	9,633
-	13,462	-	-	14,446
-	-	-	-	1,811
-	-	1,597	-	3,615
-	-	-	-	776
-	-	25	-	725
-	-	1,010	-	2,519
-	-	-	-	1,323
-	-	-	-	117
-	-	-	-	1,011
-	-	-	-	164
-	-	-	-	73
-	-	-	-	29
6,573	13,462	24,115	336	109,407
\$ (2)	\$ 11,941	\$ 1,800	\$ -	\$ 2,291